

# Millennium Challenge Corporation Hosts a Public Outreach Meeting on Mongolia Clean Energy Event

## Speakers

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# Transcript

REID: Why don't we go ahead and get started? I'd like to welcome all of you here on behalf of MCC to, I think, our first energy event. This is an area that we're very excited about and we're fortunate to be able to talk about a specific initiative that we're working on in Mongolia, and you'll be getting some details about that.

But more broadly, you know, energy, clean energy, green energy, energy efficiency are all areas that are very much of interest to MCC going forward. We're participating with other government agencies in climate change work. And this is an area that we're very excited to be, you know, kind of beginning to develop some programs that connect energy issues with economic development.

Today I am — have the pleasure of actually moderating the panel and the discussion. My name is Frances Reid and I'm the deputy vice president for Europe, Asia, Pacific and Latin America. And I am very fortunate to have Mongolia among my countries.

So I'm very pleased to be able to — to moderate this panel. We're going to hear first from the CEO of MCC Mr. Daniel Yohannes. And this is particularly apt because in addition to his background as a former vice chairman of US Bank and president and CEO of Colorado National Bank, the thing that I find most relevant today is the fact that Mr. Yohannes has a background of strong interest in green energy, clean energy, energy efficiency.

He was the chairman of the mayor of Denver's Greenprint Council, which was a leadership group focused on improving the environment of cities and reducing greenhouse gas emissions. So he has a particular interest in this topic, and he seems to be the ideal person to start off the discussion.

We also have a panel and that's going to consist of Courtenay Engelke who is the project manager for the Energy Project in Mongolia.

We are fortunate to have Laura Van Wie McGrory from the Alliance to Save Energy. And she has a very extensive background in — in the energy sector. And we're particularly pleased to be able to have her commenting not only on what we're doing but on what it might be possible to do in — in the area of energy and energy efficiency.

And we're very honored to welcome Ambassador Bekhbat from Mongolia who has worked very closely with us in the development of the Mongolia program and who will be able to give the insight of a particular country benefiting from this kind of programming as we go forward.

With that, hopefully fairly brief introduction, I would like to welcome our CEO Mr. Yohannes.

(APPLAUSE)

YOHANNES: Thank you, Frances. Welcome and thank you all for coming today. As Earth Day approaches it's appropriate to take the time to set the programs and policies that MCC's pursuing to promote sustainable energy and healthy environment in punter — in partner countries around the world.

Today we'll consider the intersection between green initiatives and sustainable development, particularly as it relates to Mongolia's compact.

I'd like to thank the ambassador from Mongolia who's here today. Mr. Ambassador, thank you for coming and also nice to see you. I met the ambassador some time ago in Denver. I believe it was, five, six years ago in another project. So it's always nice to see you.

I'd also like to thank the Alliance to Save Energy for partnering with us to make today's event possible. The Alliance is raising awareness of energy conservation issues, changing attitudes and inspiring action.

At MCC our mission is to reduce poverty through economic growth. To work with poor countries, but countries that are well-governed that address the economic constraint. What makes MCC very unique and different from any other agency in the country is the fact that all the program our country owns from design to implementation. We have no sector requirements. We don't tell them how to do it, when to do it. We are primarily owned by partner countries.

And of course I'm also very happy to see many of our partners are linking their long-term economic growth to critical investments in energy and the environment. I'm very excited about this trend.

For example, El Salvador's working on watershed management plans, electrification in rural areas and solar projects. And I'm really looking forward to see the country. I'm going there next week and it has been a major partner in the last couple years, so I am very excited to look forward and visit many of the projects that have been done there.

Lesotho is a country located in southern part of Africa. Lesotho's working to protect, restore and conserve fragile wetlands. Today about five percent of our investment dollar is invested in what we consider to be clean energy, out of the \$7-½ billion that was invested.

This is where we have a tremendous opportunity going forward as we consider new partners, as well as considering countries that we do today when we consider pursuing a compact (ph). It is a tremendous opportunity of course to have a (inaudible) steward because I happen to support that industry. I've come from it for the last 10 years, but again, you know, I really encourage many countries to consider investing in this critical area.

Frances talked about that I've been in this business for the last 10 years. So I left the bank in 2003. As a businessman I opened the first green bank in San Francisco, California. Even though the timing was bad, we just opened the bank just before the meltdown, but understand the bank it still exists, doing extremely well.

But, you know, people ask me why did you invest in San Francisco, California? Well, number one, that's where we had a lot of our investors. But number two, California is a lead state in the country that supports a lot of the green initiatives. I mean, so — and the other one, the most important thing is the fact that I wanted to send a message to the industry as a whole.

The banking industry cannot distinguish between green businesses and regular businesses, if you will, all right? To give an example, when you finance a project, whether it's an industrial project or a housing project, banks usually advance about 80 percent of the appraised value of the property.

Well, it doesn't matter whether you're green or not there. So what I did in San Francisco is to make sure that we advance at least 90 percent of the value which cut costs for the developers, which we believe add a lot of values. In that way we wanted to make sure that banks overall in this country distinguish between green businesses and regular businesses so I look at them to finance it.

So now I understand on speaking to my old banker friend in the country that they are considering or are creating divisions within the bank and making sure that it is a division that really understands the green businesses. What we feel is one of the fastest growing businesses in this country. So I'm very pleased with the outcome.

I think Frances talked about my volunteer activities in Colorado. You know, in addition to working with our mayor and governor we were able to work with businesses in the civil society, making sure many of the utility companies are required and producing 20 percent of the output from the clean energy by year 2020.

Of course, I understand that we might have to do it much faster. In fact, they have motivation to get it done probably two, three years ahead of the schedule. So I'm very excited to see that project's going extremely well.

Also, I don't know if you've been to Denver, Colorado airport, which is one of the most busiest airport in our country. Part of the energy supplied by solar panels that have been installed in the last two years, so we've done some things that are right (ph), and I understand speaking to the mayor there's a lot of plans that's under way in the future.

I've also been very intrigued to see when I travel to many of the poorest country, how they are spending their very precious foreign currency reserves and buying expensive fuel from outside of the country, when in fact they have all the resources right there. The sun, the wind, the rivers could be utilized. So this is another opportunity for many of our partner countries to consider when they think of economic growth and development.

Protecting the environment is important to improving people's livelihoods and wellbeing. We need to consider implication of climate change and how to best pursue development in a way that protects the environments.

The countries that MCC works with have done the least to contribute to the problem of climate change. However, they are the most vulnerable to its effect. They lack the resources to adapt and respond to change.

Kind of give you an example, you know, I have visited a number of African countries the last couple of years. In many of those countries we have not seen rainfall for at least five years. The damage is done, not only to crops and cattle. It also has significant impact on human beings. Many of those people have not been able to feed themselves or their families.

It is a major problem. It's a problem that needs to be addressed. Helping developing countries grow on a greener energy path contributes to the global effort to confront the threat of climate change.

I am proud to lead MCC, an agency that recognizes environmental stewardship as key to sustainable economic growth. At MCC, like all federal agencies, we are pursuing energy efficiency and conservation measures, and we want to help our partner countries achieve the same objectives.

All of our programs are subject to environmental and social review in accordance to MCC's environmental guidelines. This ensures that the projects we fund are environmentally sound. They're not likely to cause significant environmental, health or safety hazard. In fact, we seek opportunities to enhance environmental and social benefits through integrated project design.

This includes effective gender integration so both men and women can benefit from investments. This is a very sensitive topic for me because I happen to be born in one of the poorest country, where women work much longer hours but most often they don't share the benefits of wealth.

And this is not only the country I was born from but also in many of the poorest countries. So I am glad that MCC has taken the role of making sure that all our investments are benefiting both men and women.

And lastly, a lot of assistance we look at policy indicators. There are about 17 policy indicators that we use before a country can be selected eligible for MCC grants. We look at governance issues. We look at investments issues, and we look at the country's ability to make investment on its own population.

We also consider one policy indicator there which is the country's ability to manage its natural resources, which is to — extremely critical and very positive for the model because it really encourages other countries to do better job in managing their natural resources.

To achieve sustainable development among the world's poorest communities we cannot ignore the environment or the need for clean, secure energy sources. Mongolia is a country that really understands the importance of protecting the environment.

Our Mongolian partners have chosen to include an innovative energy and environment project as part of the MCC compact. You'll hear more about our project when the panel convenes in a few minutes.

Reducing air pollution benefit the people of Mongolia in many ways. It cuts the health costs, increases the productivity of households and...

(AUDIO GAP)

YOHANNES: Thank you very much and I wish you a very productive discussion this morning, and have a nice day. Thank you.

(APPLAUSE)

YOHANNES: They tell me I should take a few questions so I'll be more than happy to make myself available, so any questions in this area or other areas?

REID: This is your big chance.

YOHANNES: OK. Thank you.

Sir?

QUESTION: Robert Brown.

YOHANNES: Hey, Robert.

QUESTION: Nice to see you.

YOHANNES: Nice to see you, how are you?

QUESTION: Great. I was just on a council for San Francisco on the regulatory policies with respect to clean energy in some other countries. And whatever Millennium Challenge can do to help the compact countries would be greatly appreciated because that is what really sparks the private investment.

I'll give you an example, Ukraine has a nice green tariff, but there's no mandate for the electricity distributor companies to buy at those rates so it doesn't work. So those are the little things that can help in the private sector.

YOHANNES: I appreciate it and I — I share your concerns and comments. In fact, one of the biggest leverage we have in working with partner countries is to make sure to continuously form the policies to make that sector attractive for the private sector.

And also, to give you an example, you know, previously many of the donors can meet and build roads. But they never require the country to set aside some funding for the maintenance. And all of our projects include and require the country set aside maintenance fee when we build roads and others.

Also, we make sure that particularly in heavy industry as far as courts (ph) are concerned that we work with partner countries to make sure management of those assets are transferred to the private sector, which is more efficient and more reliable.

Well, thank you very much. Have a nice day and I'll see you soon. Thank you.

(APPLAUSE)

REID: If I could give just a little bit more introduction to our panel we can then proceed straight to the discussion. Ambassador Bekhbat comes to us with a very distinguished background in the foreign service in Mongolia.

He was the — with the Ministry Of Finance as ambassador and permanent representative to the United Nations and UNESCO and ambassador to Switzerland and Lichtenstein, France, Italy, Spain and Portugal and has — as a graduate of Moscow Institute of International Relations.

And I personally think that perhaps his most important credential for MCC is his support of the development of the Mongolia compact, and in particular, support for the development of this rather innovative program, new program for Mongolia and new program for MCC.

Ms. McGrory comes to us as the director of international programs for the Alliance to Save Energy, and she comes via the Lawrence Berkeley National Lab. She has also been program associate for the Intergovernmental Panel On Climate Change Working Group.

And helped prepare reports for the U.N. Framework Convention on Climate Change and has worked as a consultant to EPA's Global Change Division, the World Bank, the U.N. development program, sustainable energy program, and a number of other activities. So clearly she has a — a — a great background for surveying the whole issue of — of energy, cleaner energy, energy efficiency and development.

And Courtenay Engelke, who is project manager for the energy project in Mongolia, has been with MCC for about five years. But prior to that her experience is in both policy and project finance in the energy sector. She has an MBA from Wharton and has extensive experience in the private sector in working on energy-related activities.

So without more ado, I — if I could ask the panelists to come perhaps up to the table and Courtenay Engelke will lead off. Thank you very much.

ENGELKE: Good morning. Thank you for coming this morning. I'll start off by emphasizing Mongolia's interest in developing this project really from a clean air perspective. There's a significant air pollution problem in Ulaanbaatar that is growing day-by-day.

Ulaanbaatar is home to more than 40 percent of Mongolia's population and is the coldest capital in the world. During the eight-month heating season, more than 60 percent of the city's population living in the ger districts use coal to heat their gers and small homes.

It has been said that up to 90 percent of ground level air pollution in Ulaanbaatar emanates from the ger districts. The dry climate and lack of paved roads breeds a significant amount of dust which together with the heating pollution creates at times an unbearable mix in the city.

The difficulties of the rural economy have exaggerated this problem by bringing many former rural dwellers to the city looking for work and settling in the ger districts. The shortage of information and the high cost of finance has made innovation in clean energy and improved air quality a challenge with which the government of Mongolia has been dealing with for almost the last 10 years.

Nevertheless, to date there have been a number of improve — a number of studies and pilot projects undertaken aimed at improving air quality monitoring, piloting new fuels, developing and deploying cleaner burning stoves and insulation and improving residential construction.

Some of those examples are listed up here. For example in alternative fuels, the Ministry Of Mineral Resources And Energy, the UB City Air Quality Office, the Ministry of Nature, Environments and Tourism and EBRD had been very focused in stove development and replacement.

The World Bank, GTZ and ADB have a wealth of experience in air quality monitoring and capacity building for such monitoring. GTZ and JICA have been instrumental in heat-only boiler inventory and power plant assessments. JICA has taken the lead on ger blankets, insulation and replacement.

UNDP and ADB are active and then building energy efficiency that is energy efficient construction of homes and — and commercial buildings, UNDP and — and GTZ have been instrumental.

While important lessons have come out of these initiatives, none has approached the scale necessary to solve the problem. The government of Mongolia has main clean air — has made clean air a high priority, as evidenced by the establishment of a variety of inter-ministerial coordinating committees and working groups, developments of strategic plans and requesting assistance from all donors, most recently the MCC.

For example, the National Coordinating Committee was established early last year to coordinate projects in the sector. And more recently, the prime minister of Mongolia has established a smokeless Ulaanbaatar working group which has developed a medium to long-term plan for air quality in the city that is currently being discussed in the parliament.



The MCC's investment represents the largest and most ambitious — ambitious investment in Mongolia's air quality to date. And is of sufficient size to fund the replacement of every ger stove, replace the balance of ger insulation, build energy efficient homes and replace the significant number of heat-only boilers in the ger districts.

It builds upon the significant work of the governments of Mongolia, the Ulaanbaatar municipality and the donors, and it leverages the existing plans in the MCC compact for property titling, technical and vocational education and improvements to health.

So how did we get here? The Mongolia compact was signed in October of 2007 and entered into force in September of 2008. In April 2009, just six months later, the government of Mongolia notified MCC that it intended to withdraw the rail component of the compact, which represented more than 50 percent of total compact value.

The MCC board elected to consider a limited number of new targeted proposals for projects that could demonstrate poverty reduction through growth and be completed within the time remaining in the compact. In this context, the MCC board approved the energy and environment project in December of 2009.

A project director for the project was hired in February of 2010, and the project office opened in Ulaanbaatar. And the project was publicly launched at an open discussion and trade fair in Ulaanbaatar in March of this year.

The objective of the Energy and Environment Project is a sustainable reduction in air pollution in Ulaanbaatar by increasing the adoption of energy efficient products and homes in the ger districts and supporting the development of renewable energy.

The total value of the Energy and Environment Project is \$47.2 million and it's comprised of three primary activities. The first is what's called the Millennium Challenge energy efficiency innovation facility, which we've come to refer to for short as the energy efficiency facility for \$31.3 million.

It is largely focused on the provision of consumer subsidies for the purchase of energy efficient products and homes certified as meeting a set standard and/or otherwise demonstrating a superior efficiency over previous models of such appliances and also technical assistance in support of testing, market and other analysis of the products to be supported.

In short, the aim of the facility is to incentivize the development and adoption of proven clean technologies such as improved stoves or other heating and cooking systems, heat-only boilers, insulation and energy efficient homes among others in the ger district. The facility will also fund a few small pilot activities such as greening to reduce the dust problem and decentralize the neighborhood heating.

The second major activity of the energy environment project is a wind activity which supports the connection and integration of Mongolia's first commercial wind farm into the national grid for which the EBRD and IFC are currently in the process of structuring finance.

The wind activity consists of an operating subsidy to be paid to the national transmission company to temporarily smooth the impact of the increased estimated cost of power from the Salkhit wind farm.

It also includes what we're referring to as network upgrades or infrastructure upgrades which include an upgrade to the nearest substation, the nearest substation to the actual wind farm, and an upgrade to the dispatching system software at the national dispatching center in Ulaanbaatar to accommodate power from variable sources.

This would be the introduction of the first variable source into the national grid in Ulaanbaatar. And a 22-kilometer fiber optic cable to connect the substation to the dispatching center.

Finally, it includes a smaller portion of funding for technical assistance for the establishment of the renewable energy fund which was established in Mongolia by the law on renewable energy to further support the development of renewable energy in the country.

The final activity is a \$3 million public awareness activity which will support a broad and comprehensive public awareness campaign, which will increase consumer awareness of renewable energy, energy efficiency, air quality, pollutant sources, connections between air quality and health, the project's role in air pollution, timeliness and availability of subsidies and the identity of participating partners. Essentially the public awareness activity is much of the glue that holds this project together.

Finally, there a \$2.5 million budget for project administration which supports the implementation unit, its consultants and other implementing partners. Along those lines MCA Mongolia which is the implementing unit for the compact and this project expects to launch procurements very soon for technical support in products testing, analysis and public awareness.

The anticipated benefits of the Energy and Environment Project include, of course, improved air quality, reduced fuel costs, reduced health costs, increased productivity, improved power quality and the curbing of future greenhouse gases by at least displacing a small amount of fossil-fired power with wind energy.

In general we hope that the project will also improve the general quality of life for many of Mongolia's citizens residing in Ulaanbaatar.

The (inaudible) implementation plan that we have in mind is — first of all, this project will be implemented essentially over 3-½ years or less owing to its relatively late approval once the compact had already entered into force.

Normally compact projects have five years for implementation, but given the circumstances in Mongolia with respect to the rail project, this project was approved a little bit later and therefore only has 3-½ half years to implement.

That gives us approximately three heating seasons to address winter time air pollution. From February still until April, actually, we're establishing the project implementation unit for this project. We anticipate hiring consultants between, well, up until June of this year and signing implementing partner agreements until June.

As I had mentioned earlier there was a project launch in Ulaanbaatar in March which consisted of an open discussion and trade fair which incorporated both the government and private sector.

We anticipate that the testing, analysis and subsidy setting process would take place probably sometime this summer leading up to the start of the next heating season and continuing throughout the 3-½ years of implementation with perhaps the pilot and/or distribution of subsidies starting, we hope, this winter heating season in September. Monitoring and evaluation will be ongoing as will donor coordination.

I probably would end with the significant amount of donor coordination that this particular project involves. I started the presentation by highlighting, you know, how donors have been involved in this sector up until this point. Success, I think, of this project depends greatly on the extent to which all of the donors can cooperate and coordinate all of their activities in this sector.

Specifically with respect to the energy efficiency fund we are coordinating very closely with the World Bank, the ADB, the UNDP, JICA and GTZ and with respect to the wind activity certainly with the EBRD and the IFC.

So that presents essentially a brief overview of the project, and I'd be happy to take any questions you might have once the presentations have concluded. Thank you.

(APPLAUSE)

REID: Thank you, Courtenay.

Laura, would you be so kind as to come up?

MCGRORY: Thank you very much. Sorry, wrong way. All right. Thank you so much to the MCC for inviting the Alliance to Save Energy to be part of the event today. I'm going to talk a little bit about the Alliance to Save Energy and then about our focus on energy efficiency as a key solution in so many arenas including climate change, economic development, health and — and energy security.

The Alliance to Save Energy was formed in 1977. And we're a nonprofit coalition of government, business, educational, environmental and consumer leaders and researchers who all share a mission of promoting energy efficiency globally.

We're headquartered in Washington, D.C. but we have operations around the country as well as in a number of countries including India and Pakistan and China, eastern and southern Europe, South Africa and the Lake Victoria Basin and Mexico, the Caribbean and Central America.

The Alliance has a board of directors which always is chaired by a sitting U.S. senator and a leader of industry. So currently our chairs are Senator Mark Pryor from Arkansas and Peter Darbee, who's the CEO of Pacific Gas and Electric.

And the board also includes a number of other elected officials in Congress from both sides of the House and both sides of the aisle — sorry, both houses of Congress and both sides of the aisle. It also includes the heads of environmental groups and trade associations and state and local policymakers.

In addition to our staff and our board our base is really the more than 170 public — private sector members, our associates who represent all sectors of the economy. And with their backing the Alliance carries out research.

We do policy advocacy, educational programs and then we design and implement energy efficiency projects around the world and the U.S. I'm a director of International Programs. I sometimes we do work in the United States as well.

So here's a map and a chart of our overseas offices just to give you a visual of our staff and activities. We currently have about 22 projects overseas in all the countries that I mentioned before, and our programs cover the gamut of energy efficiency in all different sectors.

We do regulatory and policy reform, energy efficiency in commercial and residential buildings. We support the development of energy service company industries, building codes, do monitoring and verification of energy savings. We have a big program called Watergy that focuses on energy and water efficiency in water supply and wastewater systems with municipalities and utilities.

We focus a lot on appliances and labeling, standards and labeling for appliances and equipment and also do a lot of consumer information campaigns. And lately we've been working very hard at trying to encourage the growth of organizations like the Alliance to Save Energy in countries around the world.

Let me take a step back and talk about why the Alliance focuses on energy efficiency. In global terms it's clear from looking at this "business as usual" energy projection that we're not on a sustainable energy path. Global energy demand is growing. By 2030 we'll be using a third more energy per year than we're using now and much of this growth is coming from coal.

As we know, this energy use trajectory is a clear link to global — global greenhouse gas emissions. It's also an issue of national energy security for most nations, including Mongolia, that rely on non-renewable resources such as coal and on imported oil.

A secure source of sufficient energy is necessary for economic growth and finally, as we've been talking about, a key issue in Mongolia is the health impacts of energy use, particularly due to urban air pollution.

So the Alliance to Save Energy's guiding principle is that hand-in-hand with the development of renewable resources, the first focus for addressing energy issues should be on energy efficiency. And that's because we say it's cheaper, quicker, cleaner and more secure.

It's cheaper because a lot of efficiency improvements are really low cost and/or they pay themselves back very quickly. Benefits can also be seen almost immediately sometimes. An example is in the year 2001 the State of California was able to reduce their peak electricity use by 10 percent in less than a year just from behavioral changes with consumers.

When we talk about how clean energy efficiency is we like to talk about the term megawatts which is a measure of energy efficiency in units of watts of energy saved. So by increasing energy efficiency we actually generate power without using fuel or having to build power plants. And megawatts produce no environmental footprint. No air pollution, not carbon emissions. They're also extremely secure since they're a true homegrown resource.

So indeed in the last 35 years energy efficiency has been the United States' greatest energy resource. Due to energy efficiency and conservation efforts from 1973 on, this country saved 52 quads, which are quadrillion BTUs of energy in 2008. This is more energy than we get from any one energy source including oil.

There was — so those 52 quads were — was energy we didn't have to produce and we didn't have to import and, again, they have no environmental footprint. Another way to put it is that if — if we tried to run today's economy in the U.S. without the energy efficiency improvements that have taken place since 1973, we would need 50 percent more energy than we use now.

And looking into the future there's even great potential for keeping global demand growth down. Projections show that energy demand is going to grow about 2.2 percent per year through 2020. And I've seen higher growth rates for a lot of countries, including Mongolia, which I think is approaching about three percent per year.

The good news is there's a very large opportunity to cost effectively contain this energy demand growth. By capturing the potential available from energy efficiency efforts, and that's just using existing technologies, we could cut global energy demand growth by half or more over the next 15 years.

That means that global energy demand in 2020 would decline by an amount almost equal to 150 percent of the entire U.S. energy consumption today.

The Alliance to Save Energy has found that both in the U.S. and in other countries that we work that the key for successful energy savings has been a balanced portfolio of policies starting with research, development and demonstration, incentives and including education outreach and then moving to codes and standards. As well as coordination among governments, NGOs, utilities and private sector.

So within this portfolio of policies I just want to mention of the most effective actions that a country can take that are relevant to the goals of the MCC's compact in Mongolia of increasing the adoption of energy efficient products in homes.

And the first is national appliance and equipment standards, often known as Minimum Energy Performance Standards or MEPS. These are extremely effective policy tools that provide uniform rules for manufacturers as well as, you know, drastically cuts energy use in a country.

And the U.S. — in the U.S. the federal appliance standards program started in 1987. And as you can see from the very large savings in energy and the cost savings, it's been one of the most effective programs we have here in the United States. And the alliance has worked with many partners to promote appliance standards and labels overseas.

And just as the MCC project in Mongolia is doing, the Alliance has found consumer campaigns extremely to be effective in raising awareness of the importance of energy efficiency among consumers and to raise awareness of options for reducing energy use.

We've — some of the campaigns the Alliance has run here in the U.S. are shown here in partnership with broad public-private partnerships, and we've carried out similar campaigns around the world, particularly eastern and southern Europe. And then we're carrying out one in Pakistan now and one in Ukraine.

So I just want to leave you with this, a great opportunity to hear about and talk more about anything to do with energy efficiency is coming up in just a few weeks here in Washington, D.C. The Alliance to save energy has an annual international conference that focuses on energy efficiency in all sectors. It travels around the world, but this year it's back in Washington, D.C., so May 10th through 12th it'll be here at the Convention Center in Washington.

And I encourage anybody who's interested in this topic to go because we have a great lineup of speakers and there will be panels on every sector of energy efficiency and a bunch of cross cutting panels on things like education and finance. And there will be workshops based on very specific topic to allow discussion as well.

And that's it. Oh, and I did put a flyer about this outside if you didn't — if you'd like one. Thank you.

(APPLAUSE)

REID: Thank you very much, and if I could ask Ambassador Bekhbat to come up? That would be great.

BEKHBAT: Good morning everybody.

(UNKNOWN): Good morning.

BEKHBAT: Dear Madam Chair, ladies and gentlemen, dear friends, let me first of all express our sincere thanks to the Millennium Challenge Corporation and the Alliance to Save Energy for excellent arrangements made for this event. And express how I am pleased to attend this public forum on Mongolia and clean energy.

Reducing poverty and investing in the environment have always been among top priorities and challenges for the developing world. For my country, Mongolia, they remain to be as acute (ph) as never before. As we celebrate this year the 20th anniversary of democratic transition, we are fully aware that democracy building is not limited to institution building and that to free in the market itself.

We got today better understanding of correlation there is between democracy and development. Thus, the present coalition government led by Prime Minister Bayar does recognize that despite remarkable achievements we are proud of, achievements not only in term of freedom, I should say freedoms, but in turn also for growth we have not succeeded yet in that vital area, that of eliminating the poverty.

The government strives to accelerate the growth to make it sustainable so that democracy brings real economic dividends to the peoples. Mongolia is deeply grateful to the international community, in particular the U.S. for their multi-faceted support and assistance we have been enjoying the last several decades in strengthening democratic institutions, in developing open market economy.

Our sincere appreciation goes to the U.S. government for its \$285 million worth MCC compact, which was signed between our two countries in October 2007. The compact provides grant funding to support the five-year program to reduce poverty in Mongolia through sustainable economic growth.

December of last year the MCC board of directors approved an amendment to the compact to include the Energy Environment Projects. It amounted to approximately 47, over \$47 million U.S. We are extremely grateful, though, for the decision of MCC board to redirect the railroad project previously contracted.

Mongolia's EEP is remarkable in the sense that it's the MCC's first investment in air quality through energy efficiency and renewable energy development. It is the largest clean air project that Mongolia carries out with our foreign partners.

You may know that Mongolia has an extremely harsh climate, especially winter climate. With an eight-month long heating season, heavy winter air pollution in capital city Ulaanbaatar where nearly half of the population lives is a cause of serious concerns, including respiratory problems among our urban residents.



There's also a half of all Ulaanbaatar citizens lives in the ger district, in the ger areas. An estimated 90 percent of the Ulaanbaatar air pollution is exacerbated by the climate change consequences comes from ger areas as a consequence of burning raw coal for space heating.

We expect that the Mongolian energy and the environment project implementation will help the people in reducing substantially greenhouse gas emissions, introducing the alternative energy and the energy products, and increasing the awareness and positive attitudes of consumer's behavior, consumer behavior.

As it targets the suburban ger areas where live most of low income households, the project will have to no doubt impact directly their living conditions and facilitate poverty reduction efforts.

In terms of project progress in Mongolia today, we are extremely pleased to see — to see that the project itself launches and that the people of Mongolia have engaged in it (ph). The authorities in Ulaanbaatar gave — gave great importance to three clear areas in the agreed schedules. The EEP office was established in last February and its staff members hired.

I will point out that the open discussion and trade show organized in Ulaanbaatar last month were extremely helpful in introducing the project to the public and acquainting it with available energy efficient technologies.

Over 20 energy efficient product producers participated in the trade show. And the open discussion was very candid, interesting, involving as residents of Ulaanbaatar, scientists, experts, producers and government officials share their views and thoughts about the project and about what it can be expected from the project.

In short, I will say that in Mongolia we are truly committed to ensure the successful implementation of the EEP that will coincide (ph) with other projects of the compact.

I would like to thank Mr. Chairman for his kind words about Mongolia, about what MCC's doing in Mongolia. I would like to thank all of you for your generous assistance and support, for your cooperation, and I wish you all the best. Thank you very much.

(APPLAUSE)

REID: Thank you very much, Mr. Ambassador.

Well, you heard a number of things here that hopefully are — are provocative and interesting. MCC is moving in a new direction with respect to cleaner energy and energy efficiency. You've heard about what the alliance is doing around the world. And I think we only heard enough to be tantalized by what you're doing.



And we've heard a bit more detail about the Mongolian response to the development of these kinds of projects. We would be very interested in hearing from you. So if there are any questions that you have for the panelists, now is your chance.

QUESTION: Good morning, Matisse from Quinones International (ph). I would like to congratulate MCC for this important initiative in Mongolia. I would — our company is working in Mongolia seven years ago with cleaner coal EPFC, Economic Political Forum and Coal (ph) business. And we are ready to support the initiative of MCC in areas of communication and also with (inaudible) of economy in Mongolia.

We — we offer our support to MCC to the project in Mongolia, and we are ready to collaborate with each of you. Thank you.

REID: Well, thank you very much. And, you know, as you know there will be a series of activities which the Millennium Challenge Account Mongolia team will be initiating. And I believe Courtenay mentioned that we have a number of procurements that are going to be coming up.

But, you know, we're more than happy to welcome any assistance or any insights any of you can give, particularly, you know, a number of people here are from, you know, energy-related organizations and activities.

And we would be very interested in knowing more about, you know, what — what kinds of issues may have arisen from the work that some of you may have been doing, whether there are any, you know, things that we should be learning from your own experience?

Any other questions at all?

QUESTION: Thank you very much. My name is Janice Brumman (ph). I'm from the Department of State but my interest here is more of an academic one. I've been involved in studying the waters of Mongolia for many years.

So my question is more on how you're integrating this type of activity with the other initiatives and pressures that I know are in Mongolia towards mining development, towards ecotourism, towards other resource development activities?

And the focus on energy in UB is great, but how does this fit in with more country-wide initiatives? Thank you.

REID: Courtenay, do you want to address that or do you want me to say something generally about the compact? Or what do you — well, we're actually — the compact has a number of activities in it.

We have a health component where we're — we're focusing particularly on non-communicable diseases and on trauma and accident management. And it's a combination of our working with the medical sector on treatment protocols and on delivery of services and also on public outreach and education in that field.

We're working in vocational education and there we're working very closely with the private sector in Mongolia, including the mining sector, to upgrade the quality and accessibility of vocational education training across the country through a number of centers that we're helping to upgrade not only in terms of providing teacher education and whatnot, but also equipment and rehabilitation of facilities.

We have a property rights and property regularization project which has two components. One of them is to assist with the — with titling and with the regularization of property and the updating of the registries in Mongolia because, you know, having clear and effective and accessible records is a critical problem in Mongolia.

The other component is focused on the peri-urban area and on assisting the Mongolian government to address the problems of uncontrolled urban migration of herders and their herds and the degradation of pasture land around some of the key cities as a result.

And so we're working with a number of Mongolian counterparts to design a land management, and again, education and support program for particularly herders in the peri-urban area.

You've heard about the energy project and we're also working on completing the upgrading and rehabilitation of the main north-south road and the road corridor. And as a part of all our activities, we're — we have very stringent policies on environmental and social concerns.

And all of our projects are vetted from the point of view of how they are impacting the environment, how they impact on social issues across the country including gender issues. And we also submit all of our projects to economic analysis to be — to ensure that, you know, we have good reason to believe that the impact of those projects will in fact be economic growth.

So, you know, this fits into a broad pattern of activities that obviously we're trying to coordinate across Mongolia.

Any other questions?

QUESTION: Irvin Reminson (ph), Torch Corporation (ph), we're just — this is our first contact with MCC, and I'm interested in pursuing activities. We work in both the energy and the communications sectors. I would like to know do we go through the embassy or do we go through you? Who do we pursue our conversation with?

REID: Most of the contracting that is associated with MCC compacts is actually done through the Millennium Challenge Account units in country.

QUESTION: OK.

REID: And they are posted on the each MCA unit, including MCA Mongolia has a Web site, and those — and the procurements are posted on the Web site. The Millennium Challenge Account offices are accessible.

The U.S. embassy in country can help you find the right person to contact, but — excuse me — the contracting is essentially done by the Millennium Challenge Account unit, in this case Mongolia, not by MCC directly.

ENGELKE: And if I — if I could, I would also add that the procurements are also listed on DD Market and you can link through to that through MCC's Web site, so.

REID: Are there any other questions? Yes.

QUESTION: Courtenay, I'd be interested — Robert Krause again with Quadtrex (ph) Energy International. Be interested to know that before you settled on a wind component, had you also looked at waste energy, you know, landfill gas?

ENGELKE: Actually I — I think that's a great question, and had we had the more — more — had we had the benefit of more time given the circumstances under which we were considering new project proposals we might have undertaken a broad energy review.

But one of the limitations we were facing was sort of shovel-ready projects that could be completed within 3-½ years, or at least the MCC scope could be completed within 3-½ years. And that's ultimately what led us to this wind farm project. It is the leading renewable energy development in Mongolia. There are a number of others that are in process but not as far along as this particular project.

I think the Ministry of Mineral Resources and Energy is evaluating their options for power development. There is a generating shortage in Ulaanbaatar and in Mongolia in general. And the government is exploring both distributed generation alternatives, many of which consider wind and solar as options.

As well as potential construction for, I think up to a 500 megawatt power plant in addition to the three that already exist outside of Ulaanbaatar. And there's a lot of discussion as to which technology that plant should actually be pursuing.

QUESTION: What would be (OFF-MIKE)?

ENGELKE: It hasn't been decided yet. They're currently analyzing the potential.

REID: I would like to add that one of the particular features of the MCC model is that we don't propose projects to the country. The country proposes projects to us and in this case, you know, it was the wind energy project among others that was proposed to us. And we had, as Courtenay mentioned, some time constraints and some special circumstances around this particular situation.

But one of the things that — that looking forward to MCC activity more broadly, one of the things that's, you know, very important is some of your organizations are operating in these other countries is to make known, for

example, to the governments what possible projects you might have identified so that they can be considered and possibly proposed to us.

So it's worth knowing that we don't go out and say, "Why don't you go out and do X, Y and Z?" The governments come to us.

QUESTION: If we want to just get more information about MCC itself...

REID: Microphone.

QUESTION: Oh, if we want to have more information about MCC itself, who do we interact with? You or...

REID: Well, we have a lot of material posted on our Web site.

QUESTION: I understand. I've been to your Web site...

REID: Yes.

QUESTION: ... but we just...

REID: Well, I guess it depends on what is it that you want to know about MCC in terms of who you would talk to so.

QUESTION: OK. Maybe we'll take that offline.

REID: OK, any other questions or issues, observations? If not, thank you very much for coming, and we hope that you now know a great deal more about energy projects in Mongolia than you knew before. Thank you very much.

(APPLAUSE)